

**Meeting
of the
Iron Range Resources
and
Rehabilitation Board**

**IRRRB
Eveleth, Minnesota**

Monday, June 17, 2013

**Meeting of the Iron Range Resources and Rehabilitation Board
IRRRB, Eveleth, Minnesota
Monday, June 17, 2013
10:00 a.m.**

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**MEETING OF THE IRON RANGE RESOURCES
AND REHABILITATION BOARD
IRRRB
Eveleth, Minnesota
Monday, June 17, 2013 – 10:00 a.m.**

AGENDA

- 1) Roll Call
- 2) Reorganization of the Board (2013-2014)
 - a. Election of Chair and Vice Chair
- 3) Approval of December 13, 2012, Minutes
See Exhibit A
- 4) Commissioner's Comments
- 5) The Range Tool Company, LLC
- 6) Northshore Manufacturing, Inc.
- 7) Lutsen Mountains Corporation
- 8) City of Grand Rapids FY13 Public Works Grant
- 9) FY 2014 Budget
See Exhibit B
- 10) Other
 - a. City of Nashwauk FY13 Public Works Grant
 - b. Restructuring of Excelsior Energy Loan
- 11) Adjournment

The Range Tool Company, LLC

310 North Broadway
Gilbert, Minnesota 55741

Bank Participation Loan Program

Applicant:	The Range Tool Company, LLC	
Project Location:	310 North Broadway Gilbert, Minnesota 55741	
Principal(s):	Michael Peterson, owner	
Project Description:	The proposed project will allow The Range Tool Company to purchase additional machining equipment to expand production capacity at its Gilbert, Minnesota facility. The company's primary product lines are in the design and machining of components for the firearms industry. The company now produces and ships product to all 50 states.	
Market Opportunity:	Due to limited capacity, much of The Range Tool Company's production is completed at other machine shops. This expansion will allow the company to keep production in Gilbert.	
Project Investment:		
	First National Bank of Gilbert, Equipment loan, 7-years Operating line-of-credit	\$ 125,938 25,000
	IRRRB Bank participation loan, equipment, 7-years	125,938
	Owner equity	5,764
	TOTAL	\$ 282,640
Jobs:	Two projected new full-time employees (current part-time employees will become full-time). Wages \$31,000 - \$42,000 per year plus benefits.	
Collateral:	Collateral will consist of a shared first-position on equipment and the personal guaranty of the owner.	
Business History:	The Range Tool Company was formed three years ago as a small contract precision machine shop in Gilbert, MN.	
Past IRRRB History:	None.	

Contingencies:	Other financing, substantially as indicated above, must be approved.
Technical Advisory Committee Recommendation:	Recommended approval, June 6, 2013.
Funding Authorization:	This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

Northshore Manufacturing, Inc.

530 Recycle Center Drive
Two Harbors, Minnesota 55616

IRRRB Direct Loan Program

Applicant:	Northshore Manufacturing, Inc.	
Project Location:	530 Recycle Center Drive Two Harbors, Minnesota 55616	
Principal(s):	John Anderson	
Project Description:	<p>The proposed project includes the refinancing of existing debt, the purchase of additional production equipment, and additional working capital. The agency financing would be used specifically for the purchase of additional capital equipment that will increase efficiencies and allow the company to perform additional “value added” functions in house. The refinancing portion of the project will result in a substantial cash flow savings for the company.</p> <p>The company currently designs, manufactures and sells custom knuckle boom material handlers used primarily in the waste handling, scrap handling, forestry, railroad, mining and steel, and utility industries.</p>	
Market Opportunity:	Northshore Manufacturing’s ability to increase market share will be greatly improved with the investment in this project. Northshore Manufacturing currently serves a wide variety of industrial operations, primarily the scrap industry which is expected to improve in 2013-2014 due to higher demand and output.	
Project Investment:		
	Lake Bank Negotiated term and rate	\$2,400,000
	IRRRB Formula rate Ten-year amortization	500,000
	SBA 504 Negotiated term and rate	2,100,000
	Northland Foundation Negotiated term and rate	250,000
	Entrepreneur Fund Negotiated term and rate	200,000
	TOTAL	\$5,450,000
Jobs:	6 projected new 60 retained Wages \$31,200 - \$62,400 per year plus benefits	
Collateral:	The loan will be secured with a first position lien on equipment to be	

	purchased with proceeds including a CNC machining center, vertical CNC mill, 3.5 ton press brake, and a burn/plasma CNC. The loan will be personally guaranteed by John Anderson.
Business History:	Northshore Manufacturing, Inc. was originally founded in 1978 under the name of Lakeshore Manufacturing in Two Harbors. In 1989 the name was changed to Northshore Manufacturing and the company began producing its own products under the Builtrite brand, along with maintaining accounts with original equipment manufacturers
Past IRRRB History:	The company had a previous loan in the amount of \$75,000 that was paid as agreed and paid in full in 1995.
Contingencies:	An alternative financial structure will be considered as long as the position of the agency is not materially compromised.
Technical Advisory Committee Recommendation:	Recommended approval, June 6, 2013.
Funding Authorization:	This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.

Lutsen Mountains Corporation

467 Ski Hill Road
Lutsen, Minnesota 55612

IRRRB Bank Participation Loan Program

Applicant:	Lutsen Mountains Corporation	
Project Location:	467 Ski Hill Road Lutsen, Minnesota 55612	
Principal(s):	Charles M. Skinner Thomas C. Rider	
Project Description:	<p>The proposed project includes major upgrades to the snowmaking capabilities at the Lutsen Mountain Ski area on the north shore of Lake Superior, and the addition of two or three runs on Moose Mountain, which is the largest and has the most skiable terrain of the four mountains that comprise the ski area. This will complete the total upgrade of snowmaking replacement at the area which began in 2012. In addition to the project for which agency funding is being sought, the business is in the planning process for another major improvement at the ski area, the installation of a high speed chair lift. The net result of this project, also planned for the summer of 2013, would increase lift capacity at Moose Mountain from 3,000 passengers per hour to 5,200 passengers per hour, and will reduce the ride time from about 10 minutes to about 3 minutes.</p>	
Market Opportunity:	<p>The snow making project for which funding is being sought, combined with the snow making upgrades completed in 2012, and the proposed high speed lift will in some respects transform the entire ski area. These projects combined with the addition of a new gondola, planned for 2014 or 2015, will further enhance the ski experience to one that can be likened to that at a major western United States ski area, unlike any other area in the Midwest. There has been some consolidation in the United States ski market since 1980, going from 740 ski areas in the nation to 471. At the same time, the average number of skier visits per area has increased from less than 40,000 annually to over 60,000. The average number of skier visits at Lutsen has increased even greater, from under 40,000 visits in 1980 to over 80,000 in 2011, with the majority of the growth coming in the mid to late 1980s after significant improvements including expansion of terrain, upgrade of snow making, addition of “on hill” lodging, and most importantly the installation of a gondola were made. In general, the ski areas that make major improvements are the ones that continue to grow. These projects, completed and planned, seem to position Lutsen Mountains well into the future.</p>	
Project Investment:		
	IRRRB	\$450,000

	Formula rate 20 year amortization, 10 year balloon	
	Great River Energy 1% 10 year amortization	350,000
	Equity	100,000
	TOTAL	\$900,000
Jobs:	Projected 8 New 84 Retained Wages \$20,800 - \$62,400 per year plus benefits	
Collateral:	Shared first position, with Great River Energy as lead lender, on 12 snowguns, pumps, variable frequency drives and other snowmaking equipment installed as part of this project. The loan will be personally guaranteed by Charles Skinner and Tom Rider.	
Business History:	George Nelson founded the Lutsen Ski Area in 1948. Charlie Skinner, a ski industry pioneer who had founded the Sugar Hills Ski Area near Grand Rapids, MN in the early 1960s, purchased the business from Mr. Nelson in 1980. Charlie's son, Charles Skinner, and son-in-law, Tom Rider, joined Lutsen Mountains in the early 1990s, and purchased the ski area from Charlie in 1999.	
Past IRRRB History:	The agency made a loan of \$125,000 to Lutsen Mountains Corporation in the 1980s. The loan was paid as agreed and paid in full in 1991.	
Contingencies:	An alternative financing structure may be considered as long as the IRRRB's position is not materially compromised.	
Technical Advisory Committee Recommendation:	Recommended approval, June 6, 2013.	
Funding Authorization:	This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.	

City of Grand Rapids FY13 Public Works Grant



P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: June 17, 2013

Re: Grand Rapids FY13 Public Works Grant - \$350,000

The city of Grand Rapids has requested public works funding for a project that is comprised of site development and infrastructure requirements for the relocation and expansion of Hammerlund Construction. It includes a new 5,000 sq. ft. headquarters building, equipment yard and an 11,000 sq. ft. mechanical/equipment service building. This project will be bid and will commence immediately upon IRRRB approval and is expected to create 10 FTE jobs and 15 FTE construction jobs.

USES

Building	\$1,821,000
Infrastructure and site work	744,000
(A&E)	105,000

SOURCES

IRRRB	\$350,000
Private	2,320,000

TOTAL	\$2,670,000
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TOTAL	\$2,670,000
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FY14 Budget – See Exhibit B

See attached FY14 Budget document – Exhibit B

Other

- a. City of Nashwauk FY13 Public Works Grant
- b. Restructuring of Excelsior Energy Loan

City of Nashwauk FY13 Public Works Grant



P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: June 17, 2013

Re: Nashwauk FY13 Public Works Grant - \$200,000

At its December 14, 2011 meeting, the IRRRB Board approved a \$200,000 public works development grant to the city of Nashwauk as part of a project that included the expansion of Motter Equipment Incorporated in the city's business park. Motter Equipment Incorporated has since located in an area of the city's business park which requires minimal updates, so the grant for infrastructure was not needed and has been cancelled.

Since the city did not receive funds for the Motter expansion, as a technical change, it is requesting public works funds for its next highest priority for infrastructure projects for 2nd and 3rd Streets and York and Platt Avenues.

This project has been bid and will commence immediately.

<u>USES</u>		<u>SOURCES</u>	
Sanitary Sewer, drainage and street work	\$582,000	IRRRB City	\$200,000 382,000
TOTAL	\$582,000	TOTAL	\$582,000

Restructuring of Excelsior Energy Loan



P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: June 17, 2013

Re: Restructuring of Excelsior Energy Loan

I believe when our agency looks to restructure existing agreements we should take into account at least two key factors:

- Will a restructure lead to a better outcome for the development of the project?
- Will a restructure improve the possibility of a return on agency funds?

For over a decade, the Excelsior Energy--Mesabi Energy Project's history has been well documented. I want to remind the board that all funding from agency loans was expended prior to an audit completed in 2008 with recommendations which were complied with at that time. The loan was restructured in 2010 by Commissioner Layman with board support. I do not think it is fruitful to re-litigate past decisions made by previous boards and commissioners as we cannot go back and change those decisions with the hindsight of today. We are where we are, and it is collectively our job to focus on making the best of our current situation.

I am proposing to restructure the loan agreements to address critical issues that may improve on the ability for successful project development and a return on our agency's investment.

This proposal does four things:

1. It permits for a change of scope of the project to allow for energy sources other than coal to be developed (i.e. Natural Gas, Biomass, etc.).
2. Defers any yearly repayments but maintains the interest calculated at 3% per annum.
3. It provides that if a project is built by 2019, Excelsior will pay \$1 million annual payments on the first anniversary of operation to the IRRRB until the loans--currently at \$9.15 million--are paid in full.
4. It also provides that if a project is not built by 2019, the IRRRB will have an option to take over all the assets of Mesabi Energy Project (including permits and site) giving our agency the ability to manage any future development. If we were able to sell the project after this time, Excelsior would receive 25% of the net proceeds of a sale.

The change of scope for the project is necessary as the previous agreement called for construction of a clean coal facility. For various reasons--including the fact that federal funding and loan guarantees are no longer available, I find it highly unlikely that such facility is going to move forward. It is far more likely biomass or natural gas based energy production could be developed.

The other important update from the previous agreement is the collateral to the agency. The previous agreement is unsecured; but with this restructure, our agency will have access to the assets of the Mesabi Energy Project after a reasonable length of time.

This restructuring answers in the affirmative the two questions I posed at the beginning of this memo, and I ask for the board's support on the restructure.

Exhibit A – December 13, 2012, IRRRB Meeting Minutes

IRRRB Meeting Minutes Thursday, December 13, 2012 10:00 a.m. IRRRB Eveleth, Minnesota

1) Roll Call

Representative Tom Rukavina, Chair, called the meeting to order at approximately 10:00 a.m. Present: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan. Excused: Senator Tom Bakk, Senator John Carlson and Senator Paul Gazelka. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Al Becicka, IRRRB Legal Counsel; Steve Peterson, Executive Director of Development; Matt Sjoberg, Director of Development; Dave Hart, Assistant Director Business Development; Richard Walsh, Community Development Representative, Chris Ismal, Community Development Representative; Mary Somnis, Community Development Representative; Bob Scuffy, Accounting Officer Sr.; Sheryl Kochevar, Communications and Marketing Coordinator; Janette Paul, Executive Assistant; Dan Jordan, Mining and Reclamation Supervisor; Brian Peterson, Comptroller, Airmark, Inc.; Tony Bernard, President, Aqua Power, Inc.; Richard Fenda, Department Manager Profit & Cost, US Steel – Minntac; Steve Rutherford, Project Director, Essar Project Management Company

2) Approval of the October 11, 2012, Minutes

Action required: Approval requires 7 votes

Representative Carolyn McElfatrick moved approval of the October 11, 2012, minutes. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

3) Commissioner Comments

a) Commissioner Update

Commissioner Tony Sertich provided an update regarding the impact that the Board and agency have had on northeastern Minnesota regarding project totals, leverage and job creation over the past two plus years. \$90 million has leveraged almost \$500 million in resources to our region.

Commissioner Sertich mentioned that the agency had launched the *Made on the Range* website about one year ago. A press conference recently had been held at the agency to remind everyone to shop local and the impact it has on our economy. For every dollar that is spent in our local businesses, more than 68

cents stays in our local economy. The website offers free advertising for any business. More than 400 local businesses have taken advantage of posting to this website.

4) Budget Resolution – Resolution No. 13-010

Action required: Project approval requires 7 votes

Representative Tom Anzelc moved to approve an amendment to the FY13 Budget to add \$2,850,000 of available TEPF carryforward funds to the Public Works Project line item in the FY 13 Budget, as presented in Resolution No. 13-010. Seconded by Mr. Jack Ryan. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElpatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2013 AGENCY BUDGET AMENDMENT APPROVAL**

Resolution No.: 13-010

WHEREAS, the Board and Governor have previously approved a Fiscal Year 2013 Budget pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11, for the funding of the operational expenditures, programs and projects of the agency during the State's fiscal year 2013, which covered the period of time from July 1, 2012, through June 30, 2013 (the "**FY13 Budget**"); and

WHEREAS, the FY13 Budget made a total of \$6,000,000 available for Public Works Projects from the Taconite Area Environmental Protection Fund ("**TEPF**") account; and

WHEREAS, the Commissioner has requested the Board to approve an amendment to the FY13 Budget to add \$2,850,000 of available TEPF carryforward funds to the Public Works Projects line item in the FY13 Budget, which action would have the effect of increasing the authorized balance in the FY13 Budget's Public Works Projects Budget line item by \$2,850,000 (the "**Proposed Budget Amendment**") to the total sum of \$8,850,000 for FY13; and

WHEREAS, the Board met in open session at 10:00 a.m. on December 13, 2012, in the agency's Administrative Building located near Eveleth, Minnesota, to consider, among other matters, the Proposed Budget Amendment and determined that amending the FY13 Budget as proposed would help promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board approves amending the FY13 Budget to add \$2,850,000 of available TEPF carryforward funds to the Public Works Projects line item in the FY13 Budget, thereby increasing the authorized amount of the FY13 Budget line item for Public Works Projects to the sum of \$8,850,000.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13th DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
Tom Rukavina, Chair

4) Public Works Projects – Resolution No. 13-011

Action required: Approval requires 7 votes

Representative David Dill moved to approve the expenditure of \$7,825,000 of FY13 TEPF Public Works Funds to provide grants for the Proposed Projects in the amounts and for the purposes set forth in Exhibit A, as presented in Resolution No. 13-011. Seconded by Mr. David Chura. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

IRON RANGE RESOURCES AND REHABILITATION BOARD OF THE STATE OF MINNESOTA PUBLIC WORKS PROJECT APPROVALS

Resolution No.: 13-011

WHEREAS, the Commissioner is authorized to expend, upon approval of seven members of the members of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY13 Budget, as amended earlier this date, includes the allocation of \$8,850,000 of TEPF Funds for Public Works Projects (“**TEPF Public Works Funds**”), of which sum

\$1,025,000 has already been obligated for projects by prior Board actions, leaving \$7,825,000 that has not yet been approved by the Board for expenditure during FY13; and

WHEREAS, the Commissioner has received proposals for the expenditure of up to \$7,825,000 of such TEPF Public Works Funds for those certain community and economic development projects that are more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Projects**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on December 13, 2012, in the agency’s Administrative Building located near Eveleth, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of TEPF Funds for the purposes and in the amounts specified below would be in the public interest and promote economic development within the TAA; and

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$7,825,000 of FY13 TEPF Public Works Funds to provide grants for the Proposed Projects in the amounts and for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY 13 TEPF Public Works Funds for all Proposed Projects, including those Proposed Projects which have associated private development work, is contingent upon the agency, in its grant contracts, requiring each such grantee entity to commit to the payment of prevailing wages for the funded project as required by law, or to the extent required in the Board’s Resolution 96-005.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY13 TEPF Public Works Funds for the Proposed Projects is further contingent upon all such project financing being in place before the agency’s funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13th DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElpatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
Tom Rukavina, Chair

EXHIBIT A
PUBLIC WORKS GRANTS FY13

PURPOSE

The Public Works Grants program provides funds for cities and townships that can be used for infrastructure, site work, or healthcare capital projects that support community and economic development.

CRITERIA

- A. Economic Impact - Priority #1
- B. Jobs Created - Priority #2
- C. Leverage - Priority #3
- D. Project Readiness - Priority #4
- E. Need - Priority #5

36 projects (proposed at 12/13/12 meeting) - \$7,825,000

Total project investments – \$66,247,711

Permanent jobs initially created - 131

Construction jobs created – 418

Leverage – 7.5 to 1

Grand Total of FY13 Public Works (including 5 projects funded at previous meetings)

Total grants amount - \$8,850,000

Total project investments – \$76,738,511

Total permanent jobs initially created - 174

Total construction jobs created – 464

Leverage – 7.7 to 1

City of Aurora

Grant Amount: \$250,000

The project is comprised of replacement of water, sewer, roads, sidewalks, curbs and gutters on North 1st Street and East Central Avenue. Infrastructure in the area is over 80 years old and there are 26 homes in the area.

USES

SOURCES

Water, sewer, roads etc.	\$480,750	IRRRB	\$250,000
A & E	48,250	City	144,000
Contingency	25,000	St. Louis County CDBG	150,000
TOTAL	\$554,000	TOTAL	\$554,000

City of Babbitt

Grant Amount: \$300,000

The project is comprised of water, sewer, roads and site work for a 20-unit hotel and conference center. The conference center will accommodate 80 people. Land is available for another 40 units and other future development. The project is projected to create 15 permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Development	\$1,400,000	IRRRB	\$300,000
Water, sewer, roads and site work	503,100	City Bonding	345,200
A & E	125,800	Private	1,430,600
Contingency	46,900		
TOTAL	\$2,075,800	TOTAL	\$2,075,800

Bigfork Valley Hospital

Grant Amount: \$250,000

The project is comprised of water, sewer, roads and site work for a 20-unit memory care expansion attached to the hospital. The hospital has a 30-unit assisted living and a 40-unit nursing home attached to the hospital. The project is projected to create 15 permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Building	\$3,448,250	IRRRB	\$250,000
Water, sewer, roads and site work	508,140	Hospital/loan	3,762,850
A & E	56,460		
TOTAL	\$4,012,850	TOTAL	\$4,012,850

City of Biwabik

Grant Amount: \$250,000

The project is comprised of the replacement of water, sewer and roads on 2nd Street. The infrastructure is over 60 years old.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and roads	\$472,785	IRRRB	\$250,000
A & E	118,585	City	165,000
Contingency	23,630	St. Louis County CDBG	200,000
TOTAL	\$615,000	TOTAL	\$615,000

Bois Forte Band of Chippewa

Grant Amount: \$300,000

The project is comprised of water, sewer, roads, and site work for the construction of a new medical/dental clinic on Lake Vermilion. The old clinic was built in 1999 and is inadequate. They anticipate 300-to-400 new residents in the area in the next 10 years. The project is projected to create 19 permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
New clinic	\$3,165,000	IRRRB	\$300,000
Equipment	1,263,500	USDA	2,475,000
Water, sewer, roads and site work	316,500	Shakopee Mdewakanton Sioux Community (SMSC)	2,000,000
A & E and contingency	230,000	Bois Forte	200,000
TOTAL	\$4,975,000	TOTAL	\$4,975,000

City of Bovey**Grant Amount: \$100,000**

The project is comprised of water, sewer, roads and site work for the KMDA expansion. KMDA has acquired a company from California and will build a 5,000 square-foot addition to their existing building. The project is projected to create 5 permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Building	\$300,000	IRRRB	\$100,000
Water, sewer, roads and site work	141,900	KMDA	341,900
TOTAL	\$441,900	TOTAL	\$441,900

City of Buhl**Grant Amount: \$250,000**

The project is comprised of replacing water, sewer and roads on Jones Avenue and State Street and the replacement of infrastructure in the alley.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and roads	\$280,890	IRRRB	\$250,000
A & E	80,244	City	5,900
Contingency	44,766	St. Louis County CDBG	150,000
TOTAL	\$405,900	TOTAL	\$405,900

City of Calumet**Grant Amount: \$150,000**

The project is comprised of replacing three blocks of water main and street reconstruction on 3rd and 4th Avenue in the city. There are 16 homes in the area.

<u>USES</u>		<u>SOURCES</u>	
Water main and road reconstruction	\$221,330	IRRRB	\$150,000
A & E	45,815	City	150,345
Contingency	33,200		
TOTAL	\$300,345	TOTAL	\$300,345

City of Chisholm**Grant Amount: \$250,000**

The project is comprised of replacement of water, sewer and roads on 7th to 9th Street on Central Drive. There is a large amount of inflow and infiltration (I & I) in the area. There are three homes for the mentally and physically challenged in the area.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and roads	\$548,475	IRRRB	\$250,000
A & E	146,678	City	350,000
Contingency	54,847	St. Louis County CDBG	150,000
TOTAL	\$750,000	TOTAL	\$750,000

City of Cohasset**Grant Amount: \$200,000**

The project is comprised of improvement to the lift station on Highway #2 and a water main extension on Highway #2. The IRRRB money will be spent for the water main extension. There are eight businesses that employ 33 people that will be served by the new water main.

<u>USES</u>		<u>SOURCES</u>	
Lift station	\$92,070	IRRRB	\$200,000
Water main extension	311,700	City	304,700
A & E	60,566		
Contingency	40,364		
TOTAL	\$504,700	TOTAL	\$504,700

City of Coleraine**Grant Amount: \$70,000**

The project is comprised of reconstruction of Powell Avenue to include water, sewer and road reconstruction. This is the main route to Main Street and the road severely narrows towards Main Street.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and road reconstruction	\$355,666	IRRRB	\$70,000
A & E	58,685	City	253,185
Contingency	35,649	IRRRB FY11 grant	126,815
TOTAL	\$450,000	TOTAL	\$450,000

City of Cook**Grant Amount: \$150,000**

The project is comprised of replacement valves, slide gates, rails, sludge removal, fences and boat ramp for their waste treatment pond system. The city is in violation of MPCA regulations for unauthorized discharge.

<u>USES</u>		<u>SOURCES</u>	
Valves, slide gates, rails etc.	\$200,000	IRRRB	\$150,000
A & E	48,000	City	38,000
Contingency	40,000	St. Louis County CDBG	100,000
TOTAL	\$288,000	TOTAL	\$288,000

City of Crosby**Grant Amount: \$150,000**

The project is comprised of a new retaining pond and an overflow area to prevent flooding at Graphics Packaging. The company has 99 employees.

<u>USES</u>		<u>SOURCES</u>	
Retaining pond and overflow area	\$208,344	IRRRB	\$150,000
A & E	50,000	City/County/School District	150,013
Contingency	41,669		
TOTAL	\$300,013	TOTAL	\$300,013

City of Ely**Grant Amount: \$200,000**

The project is comprised of replacement of water and sewer lines on 1st and 8th Avenue and Harvey Street. The infrastructure must be replaced before MNDOT reconstructs Highway #169 in the summer of 2013.

<u>USES</u>		<u>SOURCES</u>	
Highway #169 reconstruction	\$1,000,000	IRRRB	\$200,000
Water and sewer lines	396,965	City	158,500
A & E	71,445	St. Louis County CDBG	150,000
Contingency	40,090	MNDOT	1,000,000
TOTAL	\$1,508,500	TOTAL	\$1,508,500

City of Eveleth**Grant Amount: \$250,000**

The project is comprised of water, sewer, roads and site work for the Aqua Power expansion project. The project details and leverage is in the December 2012 loan Board package.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, roads	289,137	IRRRB	\$250,000
A & E	17,500	Private	56,637
TOTAL	\$306,637	TOTAL	\$306,637

City of Eveleth**Grant Amount: \$250,000**

The project is comprised of replacement of water, sewer and roads for the Jones Street County State-aid Highway (CSAH) project.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and roads	\$500,696	IRRRB	\$250,000
Road reconstruction	2,300,000	City	105,773
A & E	55,077	St. Louis County CDBG	200,000
		St. Louis County CSAH	2,300,000
TOTAL	\$2,855,773	TOTAL	\$2,855,773

City of Gilbert**Grant Amount: \$250,000**

The project is comprised of replacement of water, sewer and roads on Minnesota and Michigan Street and waste water treatment improvements. The infrastructure is over 60 years old. Both streets are connected to the main street.

<u>USES</u>		<u>SOURCES</u>	
Waste water treatment improvements	\$121,000	IRRRB	\$250,000
Water, sewer and roads	299,220	City	254,000
A & E	53,860		
Contingency	29,920		
TOTAL	\$504,000	TOTAL	\$504,000

City of Gilbert**Grant Amount: \$180,000**

The project is comprised of replacement of culverts, a new site drainage system and street reconstruction on Circle Drive and the completion of the Alaskan Avenue project. Circle Drive is just north of the DeCare project. The project will provide a better drainage system for that facility.

<u>USES</u>		<u>SOURCES</u>	
Alaskan Avenue	\$80,000	IRRRB	\$180,000
Circle Drive	156,130	City	100,000
A & E	28,103		
Contingency	15,767		
TOTAL	\$280,000	TOTAL	\$280,000

City of Grand Rapids**Grant Amount: \$250,000**

The project is comprised of new signal lights, new turning lanes and a new entrance to Itasca Community College (ICC). ICC received \$4.5 million for the construction of a new class room to replace Donovan Hall.

<u>USES</u>		<u>SOURCES</u>	
New class room	\$4,699,000	IRRRB	\$250,000
Signal lights, turning lanes and new entrance	649,410	City	292,939
A & E	178,588	MNDOT	350,000
Contingency	64,941	State bonding/Blandin	4,699,000
TOTAL	\$5,591,939	TOTAL	\$5,591,939

City of Hibbing**Grant Amount: \$350,000**

The project is comprised of water, sewer and gas extension along Highway #169 West for a proposed retail development. This project will also replace wells and septic systems for businesses and residents in the area.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and gas extension	\$580,570	IRRRB	\$350,000
A & E	116,114	City/bonding	405,000
Contingency	58,316		
TOTAL	\$755,000	TOTAL	\$755,000

City of Hibbing**Grant Amount: \$250,000**

The project is comprised of Phase 2 of the Brooklyn area replacement of sanitary sewer and water lines. Phase 1 was done with state bonding and IRRRB funds.

USES**SOURCES**

Sanitary sewer and water lines	\$635,000	IRRRB	\$250,000
A & E	127,000	City/bonding	607,000
Contingency	95,000		
TOTAL	\$857,000	TOTAL	\$857,000

City of Hoyt Lakes**Grant Amount: \$350,000**

The project is comprised of construction of an addition to an existing building and remodeling of that building for an emergency service facility to serve the East Range. Ambulance services are shared by Hoyt Lakes, Aurora and White Township. Fire departments on the East Range, through a mutual aid agreement, provide services to the East Range.

USES**SOURCES**

Building renovation and addition	\$1,021,000	IRRRB	\$350,000
Site work	212,200	City/bonding	1,300,800
Land Acquisition	146,000		
A & E	135,800		
Contingency	135,800		
TOTAL	\$1,650,800	TOTAL	\$1,650,800

Lake Superior - Poplar River Water District**Grant Amount: \$250,000**

The project is comprised of construction of a 2.2 mile water line from Lake Superior to Lutsen Mountain. It will provide a long-term water source for 150-to-200 home owners and businesses.

USES**SOURCES**

Water line	\$3,815,529	IRRRB	\$250,000
Acquisitions and wet land issues	430,723	State bonding	3,600,000
A & E	266,989	Cook County	250,000
Contingency	361,130	Lutsen Mountain	774,371
TOTAL	\$4,874,371	TOTAL	\$4,874,371

City of LaPrairie**Grant Amount: \$250,000**

The project is comprised of replacing well and septic systems with a municipal water and sewer system and road reconstruction for 50 residents and 23 businesses along Highway #169.

USES**SOURCES**

Water, sewer, road	\$480,685	IRRRB	\$250,000
A & E	76,910	City/DEED	355,664
Contingency	48,068		
TOTAL	\$605,664	TOTAL	\$605,664

Lutsen Township**Grant Amount: \$300,000**

The project is comprised of erosion control and clearing, mass grading, drainage, reconstruction of greens, grassing and a landscaping and irrigation system at the Superior National Golf Course.

80% of business in Cook County is tourism.

USES**SOURCES**

Golf course construction	\$3,918,945	IRRRB	\$300,000
A & E and other costs	378,316	Cook County sales tax bonding	2,900,000
Contingency	302,739	Cook County bonding	1,100,000
		Other	300,000
TOTAL	\$4,600,000	TOTAL	\$4,600,000

City of Mountain Iron**Grant Amount: \$250,000**

The project is comprised of water, sewer, roads and site work for the JADCO expansion. The company plans on building a 100 x 100 square foot building. The project is projected to create 20 permanent jobs.

USES**SOURCES**

Building construction	\$1,000,000	IRRRB	\$250,000
Water, sewer, roads and site work	224,490	City/other	50,000
A & E	33,374	Private	1,000,000
Contingency	42,136		
TOTAL	\$1,300,000	TOTAL	\$1,300,000

City of Mountain Iron**Grant Amount: \$80,000**

The project is comprised of site work for the mobile MRI unit for the St. Lukes Clinic in Mountain Iron. The clinic addition is currently under construction and the site work will be completed after the clinic is completed. The project is projected to create 10 permanent jobs.

USES**SOURCES**

New clinic	\$1,200,000	IRRRB	\$80,000
Site work	81,103	Private	1,201,103
TOTAL	\$1,281,103	TOTAL	\$1,281,103

City of Mountain Iron**Grant Amount: \$250,000**

The project is comprised of water, sewer, roads and site work for the expansion of housing in the Unity addition. The project does not include the construction costs of the new housing.

USES**SOURCES**

Water, sewer, roads, site work	\$426,975	IRRRB	\$250,000
A & E	81,125	City/private	350,000
Contingency	91,900		
TOTAL	\$600,000	TOTAL	\$600,000

City of Nashwauk**Grant Amount: \$150,000**

The project is comprised of water, sewer, roads and site work for the expansion of Motter Equipment on the south side of Highway #169. The project is projected to create 20 new permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Building construction	\$4,200,000	IRRRB	\$150,000
Water, sewer, roads and site work	385,616	City/DEED	258,500
Turning lanes and rail road crossing	590,165	MNDOT	600,000
A & E	148,962	IRRRB FY12 grant	200,000
Contingency	83,757	Private	4,200,000
TOTAL	\$5,408,500	TOTAL	\$5,408,500

City of Orr**Grant Amount: \$50,000**

The project is comprised of water, sewer, roads and site work for the construction of a 24-unit assisted living facility. The developer is one of the largest assisted living developers on the Iron Range. The project is projected to create 20 permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Assisted living facility	\$2,013,200	IRRRB	\$50,000
Water, sewer, roads, site work	408,120	City	50,000
Land	50,000	Private	2,200,000
A & E	28,680	IRRRB FY11 grant	300,000
Working capital	100,000		
TOTAL	\$2,600,000	TOTAL	\$2,600,000

City of Riverton**Grant Amount: \$150,000**

The project is comprised of replacement of water, sewer and roads on a city-wide basis. The infrastructure is old and has to be replaced.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and roads	\$235,400	IRRRB	\$150,000
A & E	47,090	City/DEED	180,000
Contingency	47,510		
TOTAL	\$330,000	TOTAL	\$330,000

City of Taconite**Grant Amount: \$100,000**

The project is comprised of replacement of sanitary sewer lines and road reconstruction in the Nelson Street North area. The city is on a mandate from MPCA to eliminate their inflow and infiltration (I & I) issues.

USES**SOURCES**

Sanitary sewer lines and street reconstruction	\$160,155	IRRRB	\$100,000
A & E	25,625	City	103,396
Contingency	17,616		
TOTAL	\$203,396	TOTAL	\$203,396

City of Tower**Grant Amount: \$170,000**

The project is comprised of replacement water and sanitary sewer lines and street reconstruction on Main Street, which is Highway #169. The project must be done before MNDOT reconstructs Highway #169 in 2013.

USES**SOURCES**

Water, sanitary sewer lines and street reconstruction	\$285,456	IRRRB	\$170,000
A & E	59,544	City	175,000
Highway #169 street reconstruction	800,000	MNDOT	800,000
TOTAL	\$1,145,000	TOTAL	\$1,145,000

City of Two Harbors**Grant Amount: \$300,000**

The project is comprised of construction of an 80 x 100 square-foot, fixed-based operation (FBO) building. The building will serve to provide maintenance and fuel for the airport. The project is projected to create 7 permanent jobs.

USES**SOURCES**

Building	\$616,000	IRRRB	\$300,000
Water and sewer	24,000	City	75,000
A & E	160,000	MNDOT Aeronautics	400,000
		Lake County	25,000
TOTAL	\$800,000	TOTAL	\$800,000

City of Virginia**Grant Amount: \$350,000**

The project is comprised of replacement of water, sewer and roads on 4th Street North for three proposed business projects. The IRRRB provided FY 10 Commercial Redevelopment funds to demolish five Seppi buildings on Bailey's Lake to make room for these proposed developments.

USES**SOURCES**

Buildings	\$11,500,000	IRRRB	\$350,000
Water, sewer and roads	585,435	City	261,000
A & E	117,087	St. Louis County CDBG	150,000
Contingency	58,478	Private	11,500,000
TOTAL	\$12,261,000	TOTAL	\$12,261,000

White Township**Grant Amount: \$175,000**

The project is comprised of extending water and sewer and road reconstruction from 1st Street to Poplar Street. Almost all of the residents have wells and septic systems on small lots.

USES**SOURCES**

Water, sewer and road reconstruction	\$199,625	IRRRB	\$175,000
A & E	35,933	Township	80,520
Contingency	19,962		
TOTAL	\$255,520	TOTAL	\$255,520

5) Film Production Incentive Program – Resolution No. 13-012

Action required: Approval requires 7 votes

Representative Carly Melin moved to approve the expenditure of up to \$800,000 of TEPF Funds for the proposed Film Production Incentive Program, which will be used by the agency to provide incentives to attract movie production to the TAA, as presented in Resolution No. 13-012. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

Film Production Incentive Program

**P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047**

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: December 13, 2012

RE: REQUEST FOR FILM PRODUCTION INCENTIVE PROGRAM

OPPORTUNITY

The IRRRB has an opportunity to bring two film productions to our service area in 2013. These productions could result in direct economic impact of \$8,000,000 to the Iron Range. I propose the implementation of an IRRRB Film Production Incentive Program to attract these productions to our region.

RECOMMENDATION

I recommend a Film Production Incentive Program in which IRRRB will reimburse 20% on eligible expenditures in our service area, with a cap of \$500,000 per production. Reimbursement criteria for eligible expenditures will be consistent with the Film Production Jobs Program, codified as Minnesota Statutes Section 116U.26, and with the current reimbursement guidelines followed by the Minnesota Film and TV Board.

In addition, staff will coordinate a Point-of-Sale discount program at local businesses; introduce the film-makers to people and locations as needed; assist with local media and PR, the local premier of the films and other technical assistance as appropriate.

I recommend approval of the program with an initial capitalization of \$800,000 out of FY13 TEPF Funds from the Projects portion of the Approved FY13 Agency Budget.

JOB CREATION AND ECONOMIC IMPACT OF FILM PRODUCTIONS IN MINNESOTA

According to the Motion Picture Association of America each \$1.00 spent on film production in the U.S. results in \$1.99 in economic activity. The spending multiplier calculated by the U.S. Department of Commerce, Bureau of Economic Analysis (Jan 16, 2012) is \$1.65.

The economic impact of *North Country* was estimated by the Minnesota Department of Employment and Economic Development at \$5 million. More than 70 temporary jobs were created (Minnesota workers employed directly by the production company). As a reminder, only a small portion of the movie was filmed on the Iron Range. The two films that are currently considering shooting on the Iron Range would film the bulk of their movies here.

IRRRB PAST PROJECT INCENTIVE

IRRRB offered an incentive to bring *North Country* to our service area. IRRRB gave a rebate of expenditures--up to \$200,000--which were incurred in and for a movie filmed in the IRRRB service area.

We also coordinated a Point-of-Sale discount program through local Chambers of Commerce and their members for purchases made at participating businesses. We made introductions to local people who assisted with special needs such as space for production offices, custom requests for buildings, churches, homes, etc. We assisted with arrangements for the local premier of the film, including viewing the movie at the theater in Mountain Iron.

IRON RANGE RESOURCES AND REHABILITATION BOARD OF THE STATE OF MINNESOTA FILM PRODUCTION INCENTIVE PROGRAM TACONITE AREA ENVIRONMENTAL PROTECTION FUND

Resolution No.: 13-012

WHEREAS, the Commissioner is authorized to expend, upon approval of at least seven members of the Iron Range Resources and Rehabilitation Board (“**Board**”), the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the

economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“TAA”), by investing in local economic development projects within the TAA; and,

WHEREAS, the production of movies for commercial release has a major economic impact within the geographic area of the production location as evidenced by the filming of the movie *North Country*, which, according to the Minnesota Department of Employment and Economic Development, resulted in an economic impact of \$5 million; and

WHEREAS, the Commissioner has requested that the Board approve the expenditure of up to \$800,000 of TEPF Funds for the proposed Film Production Incentive Program (“**Program**”), which will be used by the agency to provide incentives to attract movie production to the TAA, subject to the terms and conditions specified in the Commissioner’s memorandum to the Board that was included as part of the board packet materials for the Board’s consideration at this meeting; and,

WHEREAS, the Board met in open session at 10:00 a.m. on December 13, 2012, in the agency’s Administrative Building located near Eveleth, Minnesota, to consider, among other matters, the proposed Film Production Incentive Program and has determined that the expenditure of up to \$800,000 of TEPF Funds for the Program is consistent with the provisions of Minnesota Statutes Section 298.223, Subd. 1(c) because the funding of the proposed Program would promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$800,000 of TEPF Funds from the Projects portion of the Approved FY13 Agency Budget for a Film Production Incentive Program, subject to the terms and conditions specified in the Commissioner’s memorandum to the Board that was included in the board packet materials.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13th DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElpatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
Tom Rukavina, Chair

6) Airmark, Inc. – Resolution No. 13-013
Action required: Approval requires 8 votes

Representative Carolyn McElfatrick moved to approve the Airmark, Inc., d/b/a/ Nelson Wood Shims, request for financial assistance in the form of a bank participation loan in an amount not to exceed \$305,550 to expand its wood shim manufacturing business, as presented in Resolution No. 13-013. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

**Airmark, Inc. DBA Nelson Wood Shims
500 NW 3rd Street
Cohasset, Minnesota 55721**

IRRRB Bank Participation Loan Program

Applicant:	Airmark, Inc. DBA Nelson Wood Shims	
Project Location:	500 NW 3 rd Street Cohasset, MN 55721	
Principal(s):	Fred Bills	
Project Description:	Expansion of business that manufactures wood shims.	
Market Opportunity:	Capture larger percentage of a market in a product that is primarily imported from China.	
Project Investment:		
	BMO Harris Bank 7-year amortization	\$305,550
	IRRRB Formula rate 7-year amortization	\$305,550
	Equity	\$ 67,900
	TOTAL	\$ 679,000
Jobs:	7 Projected New 29 Retained Wages \$25,000 - \$35,000 per year plus benefits	
Collateral:	Equipment	
Business History:	Nelson Wood Shims was founded in 1960 by Wilbert Nelson in his garage in Mountain Iron. The company was purchased by Fred Bills, its current owner in 1995 and has grown to become the largest wood shim	

	manufacturer in North America.
Past IRRRB History:	The IRRR Board approved a bank participation loan in the amount of \$250,000 in December of 2010 as part of the last expansion of the company. The loan has a current balance of \$164,000 and has been paid as agreed.
Contingencies:	None
Technical Advisory Committee Recommendation:	The Technical Advisory Committee recommended approval on December 6, 2012.
Funding Authorization:	Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
 FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN
 LOAN FOR AIRMARK BUSINESS PROJECT**

Resolution No.: 13-013

WHEREAS, the Commissioner is authorized to expend, upon approval of eight members of the Board, the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.291-298.294 and Minnesota Statute Section 298.28, subdivision 11 (“**DJJ Funds**”), to provide loans and participate with private sources in providing financing for various projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

WHEREAS, the agency’s FY13 Budget includes provision for the use of certain DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects (“**FY13 DJJ Business Development Funds**”); and

WHEREAS, Airmark, Inc., d/b/a Nelson Wood Shims, a Minnesota business corporation (“Airmark”) is proposing to expand and make its wood shim manufacturing business more efficient, and has made application to the Commissioner for financial assistance to enable it, in combination with funds provided from other sources, to finance that project (the “**Airmark Business Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$305,550 of FY13 DJJ Business Development Funds to purchase a participation interest in a bank loan which is being made as part of a \$679,000 total investment to enable Airmark to finance the costs of the Airmark Business Project, with the participation interest to be acquired on the terms and subject to the conditions

set forth in the Board packet materials and as otherwise discussed at the meeting (collectively, the “**Commissioner’s Proposed Project**”); and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on December 6, 2012, and recommended approval of the requested financial assistance for the Commissioner’s Proposed Project; and

WHEREAS, the Board met in the Board Room at the agency’s Administrative Building near Eveleth on Thursday, December 13, 2012, at 10:00 a.m. to consider, among other matters, approval of the requested financial assistance for the Commissioner’s Proposed Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure of DJJ Funds for the Commissioner’s Proposed Project, and that the granting of the requested financial assistance would promote economic development in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$305,550 of FY13 DJJ Business Development Funds to purchase a participation interest in a bank loan which is being made to enable Airmark to finance a portion of the costs of the Airmark Business Project, with such participation interests to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency’s standard participation loan form, including the provisions customarily contained therein that require the borrower to pay prevailing wages to workers performing work on construction projects.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13th DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
Tom Rukavina, Chair

7) Aqua Power, Inc. – Resolution No. 13-014

Action required: Approval requires 8 votes

Motion by Senator David Tomassoni to approve the Aqua Power, Inc., request for financial assistance in the form of a bank participation loan in an amount not to exceed \$250,000 to renovate recently acquired buildings to enable an expansion of its business, as presented in Resolution No. 13-014. Seconded by Mr. Joe Begich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

**Aqua Power, Inc.
800 Park Avenue
Eveleth, Minnesota 55734**

IRRRB Bank Participation Loan Program

Applicant:	Aqua Power, Inc.	
Project Location:	800 Park Avenue Eveleth, Minnesota 55734	
Principal(s):	Tony Bernard, President	
Project Description:	Renovations to recently acquired buildings for expansion.	
Market Opportunity:	Aqua Power primarily serves the mining and ethanol producers in the upper Midwest. Demand for their services continues to increase. In addition, Aqua Power is exploring other markets in our region.	
Project Investment:		
	Bank loan with a 15-year amortization	\$485,000
	IRRRB Participation Loan at our formula interest rate with a 15-year amortization	250,000
	Company	42,000
	TOTAL	\$777,000
Jobs:	10 Projected New 12 Retained Wages \$29,000 - \$35,000 per year plus benefits	
Collateral:	Shared 1st mortgage on the two commercial facilities being renovated.	
Business History:	Aqua Power was formed in 1981 to serve the mining industry with hydro-blasting cleaning and vacuum truck services. Business focus changed in 2003 when Tony Bernard became an owner and the company began to pursue additional customers in the ethanol industry. Their customer base is	

	currently 45% mining, 30% ethanol and 25% paper plants, power plants and others.
Past IRRRB History:	None.
Contingencies:	Bank financing, substantially as noted above, must be committed to.
Technical Advisory Committee Recommendation:	The Technical Advisory Committee recommended approval December 6, 2012.
Funding Authorization:	Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
 FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN
 LOAN FOR AQUA POWER PROJECT**

Resolution No.: 13-014

WHEREAS, the Commissioner is authorized to expend, upon approval of eight members of the Board, the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.291-298.294 and Minnesota Statute Section 298.28, subdivision 11 (“**DJJ Funds**”), to provide loans and participate with private sources in providing financing for various projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

WHEREAS, the agency’s FY13 Budget includes provision for the use of certain DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects (“**FY13 DJJ Business Development Funds**”); and

WHEREAS, Aqua Power, Inc., a Minnesota business corporation (“Aqua Power”), is proposing to renovate recently acquired buildings to enable an expansion of its business, and has made application to the Commissioner for financial assistance that, in combination with funds provided from other sources, will finance its expansion project (the “**Aqua Power Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$250,000 of FY13 DJJ Business Development Funds to purchase a participation interest in a bank loan, which is being made as part of a \$777,000 total investment, to enable Aqua Power to finance the costs of the Aqua Power Project, with the participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting (collectively, the “**Commissioner’s Proposed Project**”); and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on December 6, 2012, and recommended approval of the requested financial assistance for the Commissioner's Proposed Project; and

WHEREAS, the Board met in the Board Room at the agency's Administrative Building near Eveleth on Thursday, December 13, 2012, at 10:00 a.m. to consider, among other matters, approval of the requested financial assistance for the Commissioner's Proposed Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure of DJJ Funds for the Commissioner's Proposed Project, and that the granting of the requested financial assistance would promote economic development in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$250,000 of FY13 DJJ Business Development Funds to purchase a participation interest in a bank loan which is being made to enable Aqua Power to finance a portion of the costs of the Aqua Power Project, with such participation interest to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency's standard participation loan form, including the provisions customarily contained therein that require the borrower to pay at least prevailing wages to workers performing work on construction projects.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13th DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____

Tom Rukavina, Chair

8) Taconite Area Development Fund (TEDF) Projects

Action required: Approval requires 7 votes

a) US Steel – Minntac – Resolution No. 13-015

Motion by Senator David Tomassoni to approve the expenditure of TEDF funds for the US Steel – Minntac project, in an amount not to exceed \$3,295,389, as presented in Resolution No. 13-015. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

United States Steel – Minntac TEDF Projects



**Iron Range Resources &
Rehabilitation Board**

**P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047**

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: December 13, 2012

**RE: UNITED STATES STEEL – MINNTAC TACONITE ECONOMIC DEVELOPMENT
FUND PROJECTS (PAY 2012, PRODUCTION 2011) - \$3,295,389**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

US Steel - Minntac is eligible for a pay 2012, based on 2011 production, Taconite Economic Development Fund rebate of \$3,295,389, subject to the company providing a match of \$792,862, for a total project cost of \$4,088,251.

The US Steel - Minntac TEDF Review Committee completed its review on October 26, 2012, and unanimously approved submitting the following projects.

Project 1 is the Primary Project and Projects 2 and 3 are Residual Projects. Primary Projects are funded first. If the eligible expenses or the total project cost is less than the estimated project total cost, then to insure that the company would receive their total refund, the Residual Projects will become eligible for funding at the same ratio as the Primary Projects.

Project 1 - Mine Management System Upgrade - \$5,043,000

The current Mine Management system at Minntac is comprised of a Wenco mine dispatching system and a Thunderbird drill monitoring system that communicate over an Ultra High Frequency (UHF) wideband radio system. The Federal Communication Commission (FCC) is narrow banding the UHF frequency effective January 1, 2013, requiring wideband communications to migrate to narrowband or an alternative communication system. The current Wenco system interfaces to mobile equipment via low precision Global Positioning System (GPS) for shovels, haul trucks, some loaders, and a few pieces of support equipment. Fleet management is very basic and relies on operators to manage equipment scheduling. The majority of the support equipment is not interfaced to the current Wenco system. The existing Mine Management system software and hardware are at the end of their useful life.

This project will allow Minntac to become compliant with the FCC narrow banding of the UHF frequency. Wideband radio hardware related to the Mine Management System on all mobile equipment will be replaced with a 3D-P communication platform interfacing with the recently installed Mesh wireless network. High precision GPS units will be installed on all loading, dozing, drilling, and foreman equipment enhancing fleet tracking, maintenance monitoring, and drill navigation capabilities. Hardware will be installed on all VIMS enabled mobile equipment to allow for real time wireless transfer of data. A third party Production Reporting and Performance Management system will be implemented to replace the current in-house system and will enhance data collection and reporting capability for operations, maintenance and engineering needs.

TEDF Grant	\$3,295,389
Company	<u>\$1,747,611</u>
Estimated Project Total Cost	\$5,043,000

Project 2 – Agglomerator VFD's - \$800,000

Line 5 of the Minntac Agglomerator facility currently uses two 1,500 and two 900 horsepower preheat and cooling fans driven by a 4,160 volt motor. The speed of these fans cannot be adjusted and, as a result they are run at full capacity. The resulting air flow volume exceeds optimum airflow to maintain appropriate process temperature for taconite production. To achieve optimum production conditions, Minntac mechanically restricts airflow output by about 50% with dampers and ducts to redirect excess airflow. This results in wasted energy and shorter lifespan for all the impacted equipment.

A Department of Energy (DOE) audit at Minntac in 2008 recommended changing to variable frequency drive (VFD) motors and fans. VFD's would allow operators to adjust the fans to produce optimum process airflow volume without the mechanical and electrical energy loss caused by running existing fans at full speed and restricting output with dampers.

TEDF Grant	\$0
Company	<u>\$800,000</u>
Estimated Project Total Cost	\$800,000

Project 3 – Transformer Relay Upgrade in Agglomerator - \$150,000

Minntac will replace existing agglomerator electric equipment with a new transformer relay. These relays are being installed to provide the ability to reduce arc flash incident energy on the

feeder breakers during times of maintenance or normal operation while providing optimal selective coordination for the facility. The relay upgrade will also replace the three overcurrent relays and three transformer differential relays with one microprocessor relay. The new relay will require less maintenance and testing and will provide greater reliability for the system. The existing electromechanical relays are not flexible to meet Minntac's need to provide incident energy reduction.

The new relay will also be equipped with the ability to open and close the breakers with a time delay allowing workers plenty of time to leave the area before the breaker operates. This will improve safety by providing safer working condition for agglomerator employees.

TEDF Grant	\$0
Company	<u>\$150,000</u>
Estimated Project Total Cost	\$150,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
UNITED STATES STEEL - MINNTAC – PAY 2012 TEDF FUNDS**

Resolution No.: 13-015

WHEREAS, certain taconite production tax funds (“**TEDF Funds**”) are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a to provide grants to taconite producers who provide certain required matching expenditures for projects that involve workforce development and associated public facility improvements, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”) and for the benefit of the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, iron ore producer United States Steel-Minntac (“**Applicant Producer**”) is eligible to receive up to \$3,295,389 of TEDF Funds for Eligible Purposes based upon its 2011 pellet production (“**Pay 2012 TEDF Funds**”); and,

WHEREAS, Applicant Producer made application to the Commissioner to receive TEDF Funds for projects described in the attached Addendum A (the “**Proposed Projects**”), and has committed to pay at least the required matching share of \$792,862 of the costs of the Proposed Projects which the Commissioner has determined are for Eligible Purposes; and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant's proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Projects; and,

WHEREAS, the TEDF Committee of the Applicant Producer on October 26, 2012, indicated to the Commissioner that it has approved the Proposed Projects identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on December 13, 2012, at the agency's Administrative Building located near Eveleth, Minnesota, to consider the Proposed Projects and the Applicant Producer's request to receive TEDF Funds for such projects.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Projects specified in Addendum A are for Eligible Purposes and otherwise appear eligible to receive Pay 2012 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13TH DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElpatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
Tom Rukavina, Chair

Addendum A

Project 1 is the Primary Project and Projects 2 and 3 are Residual Projects. The Primary Project is funded first. If the eligible expenses or the total project cost is less than the estimated project total cost, then to insure that the company would receive their total refund, the Residual Projects will become eligible for funding at the same ratio as the Primary Project.

Project 1 - Mine Management System Upgrade - \$5,043,000

The current Mine Management system at Minntac is comprised of a Wenco mine dispatching system and a Thunderbird drill monitoring system that communicate over an Ultra High Frequency (UHF) wideband radio system. The Federal Communication Commission (FCC) is narrow banding the UHF frequency effective January 1, 2013, requiring wideband communications to migrate to narrowband or an alternative communication system. The current Wenco system interfaces to mobile equipment via low precision Global Positioning System (GPS) for shovels, haul trucks, some loaders, and a few pieces of support equipment. Fleet management is very basic and relies on operators to manage equipment scheduling. The majority of the support equipment is not interfaced to the current Wenco system. The existing Mine Management system software and hardware are at the end of their useful life.

This project will allow Minntac to become compliant with the FCC narrow banding of the UHF frequency. Wideband radio hardware related to the Mine Management System on all mobile

equipment will be replaced with a 3D-P communication platform interfacing with the recently installed Mesh wireless network. High precision GPS units will be installed on all loading, dozing, drilling, and foreman equipment enhancing fleet tracking, maintenance monitoring, and drill navigation capabilities. Hardware will be installed on all VIMS enabled mobile equipment to allow for real time wireless transfer of data. A third party Production Reporting and Performance Management system will be implemented to replace the current in-house system and will enhance data collection and reporting capability for operations, maintenance and engineering needs.

TEDF Grant	\$3,295,389
Company	<u>\$1,747,611</u>
Estimated Project Total Cost	\$5,043,000

Project 2 – Agglomerator VFD's - \$800,000

Line 5 of the Minntac Agglomerator facility currently uses two 1,500 and two 900 horsepower preheat and cooling fans driven by a 4,160 volt motor. The speed of these fans cannot be adjusted and, as a result they are run at full capacity. The resulting air flow volume exceeds optimum airflow to maintain appropriate process temperature for taconite production. To achieve optimum production conditions, Minntac mechanically restricts airflow output by about 50% with dampers and ducts to redirect excess airflow. This results in wasted energy and shorter lifespan for all the impacted equipment.

A Department of Energy (DOE) audit at Minntac in 2008 recommended changing to variable frequency drive (VFD) motors and fans. VFD's would allow operators to adjust the fans to produce optimum process airflow volume without the mechanical and electrical energy loss caused by running existing fans at full speed and restricting output with dampers.

TEDF Grant	\$0
Company	<u>\$800,000</u>
Estimated Project Total Cost	\$800,000

Project 3 – Transformer Relay Upgrade in Agglomerator - \$150,000

Minntac will replace existing agglomerator electric equipment with a new transformer relay.

These relays are being installed to provide the ability to reduce arc flash incident energy on the feeder breakers during times of maintenance or normal operation while providing optimal selective coordination for the facility. The relay upgrade will also replace the three overcurrent relays and three transformer differential relays with one microprocessor relay. The new relay will require less maintenance and testing and will provide greater reliability for the system. The existing electromechanical relays are not flexible to meet Minntac's need to provide incident energy reduction.

The new relay will also be equipped with the ability to open and close the breakers with a time delay allowing workers plenty of time to leave the area before the breaker operates. This will improve safety by providing safer working condition for agglomerator employees.

TEDF Grant	\$0
Company	<u>\$150,000</u>
Estimated Project Total Cost	\$150,000

b) Hibbing Taconite Company – Resolution No. 13-016

Motion by Representative Carly Melin to approve the expenditure of TEDF funds for the Hibbing Taconite Company project, in an amount not to exceed \$1,504,555, as presented in Resolution No. 13-016. Seconded by Senator David Tomassoni. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

Hibbing Taconite Company TEDF Project



**P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047**

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: December 13, 2012

**RE: HIBBING TACONITE COMPANY TACONITE ECONOMIC DEVELOPMENT FUND
PROJECT (PAY 2012, PRODUCTION 2011) - \$1,504,555**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Hibbing Taconite Company is eligible for a pay 2012, based on 2011 production, Taconite Economic Development Fund rebate of \$1,504,555, subject to the company providing a match of \$367,392, for a total project cost of \$1,871,947.

The Hibbing Taconite Company TEDF Review Committee completed its review on October 29, 2012, and unanimously approved submitting the following project.

Project 1 - Stack Sizer Conversion - \$1,950,000

All of the taconite operations must control the silica content of concentrator slurry in order to control pellet quality. Hibbing Taconite's silica target for their slurry is 3.9% to 4.3%. When the silica content the slurry exceeds 4.3%, Hibbing Taconite will route the slurry through a sizing screen to remove silica and bring the slurry back into specification range. The process involves screening out the coarse material, which includes silica and reprocessing this material.

Hibbing Taconite needs to replace five of the nine mill line screen decks. Currently, four of the nine are using Derrick Stack Sizers quite successfully. Performance experience on these lines indicates that the screen decks improve silica control allowing the concentrator to handle higher silica content. In addition to greater throughput and silica control, Derrick Stack Sizers provide additional cost benefits. Benefits include increased screen life, fewer motor replacements and the elimination of plugged screens. The Stack Sizer screen decks are also more durable, requiring less maintenance throughout their life. One of the largest benefits observed, also unanticipated, is that Derrick Stack Sizers are much more efficient at screening particles than the existing screens. This significantly reduces the amount of material that is routed back for reprocessing.

Employee safety is also improved with this project. The Derrick Stack Sizers emit less noise than the existing screens decks, and screen panel replacements are easier to execute, which reduces the risk of injury.

TEDF Grant	\$1,504,555
Company	<u>\$445,445</u>
Estimated Project Total Cost	\$1,950,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
HIBBING TACONITE COMPANY – PAY 2012 TEDF FUNDS**

Resolution No.: 13-016

WHEREAS, certain taconite production tax funds (“**TEDF Funds**”) are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a to provide grants to taconite producers who provide certain required matching expenditures for projects that involve workforce development and associated public facility improvements, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”) and for the benefit of the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, iron ore producer Hibbing Taconite Company (“**Applicant Producer**”) is eligible to receive up to \$1,504,555 of TEDF Funds for Eligible Purposes based upon its 2011 pellet production (“**Pay 2012 TEDF Funds**”); and,

WHEREAS, Applicant Producer made application to the Commissioner to receive TEDF Funds for the project described in the attached Addendum A (the “**Proposed Project**”), and has committed to pay at least the required matching share of \$367,392 of the costs of the Proposed Project which the Commissioner has determined is for Eligible Purposes; and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Project; and,

WHEREAS, the TEDF Committee of the Applicant Producer on October 29, 2012, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on December 13, 2012, at the agency’s Administrative Building located near Eveleth, Minnesota, to consider the Proposed Project and the Applicant Producer’s request to receive TEDF Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Project specified in Addendum A is for Eligible Purposes and otherwise appears eligible to receive Pay 2012 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13TH DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElpatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
Tom Rukavina, Chair

Addendum A

Project 1 - Stack Sizer Conversion - \$1,950,000

All of the taconite operations must control the silica content of concentrator slurry in order to control pellet quality. Hibbing Taconite’s silica target for their slurry is 3.9% to 4.3%. When the silica content the slurry exceeds 4.3%, Hibbing Taconite will route the slurry through a sizing screen to remove silica and bring the slurry back into specification range. The process involves screening out the coarse material, which includes silica and reprocessing this material.

Hibbing Taconite needs to replace five of the nine mill line screen decks. Currently, four of the nine are using Derrick Stack Sizers quite successfully. Performance experience on these lines indicates that the screen decks improve silica control allowing the concentrator to handle higher silica content. In addition to greater throughput and silica control, Derrick Stack Sizers provide additional cost benefits. Benefits include increased screen life, fewer motor replacements and the elimination of plugged screens. The Stack Sizer screen decks are also more durable, requiring less maintenance throughout their life. One of the largest benefits observed, also unanticipated, is that Derrick Stack Sizers are much more efficient at screening particles than the existing screens. This significantly reduces the amount of material that is routed back for reprocessing.

Employee safety is also improved with this project. The Derrick Stack Sizers emit less noise than the existing screens decks, and screen panel replacements are easier to execute, which reduces the risk of injury.

TEDF Grant	\$1,504,555
Company	<u>\$445,445</u>
Estimated Project Total Cost	\$1,950,000

c) Northshore Mining Company – Resolution No. 13-017

Motion by Representative David Dill to approve the expenditure of TEDF funds for the Northshore Mining Company project, in an amount not to exceed \$1,453,194, as presented in Resolution No. 13-017. Seconded by Mr. David Chura. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

Northshore Mining Company TEDF Project



**P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047**

To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: December 13, 2012

**RE: NORTSHORE MINING COMPANY TACONITE ECONOMIC DEVELOPMENT
FUND PROJECT (PAY 2012, PRODUCTION 2011) - \$1,453,194**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Northshore Mining Company is eligible for a pay 2012, based on 2011 production, Taconite Economic Development fund rebate of \$1,453,194, subject to the company providing a match of \$325,184, for a total project cost of \$1,788,378.

The Northshore Mining Company TEDF Review Committee completed its review on October 9, 2012, and unanimously approved submitting the following project.

Project 1 - Reactivation of Concentrator Section 5 - \$7,015,000

As Northshore Mining continues on their westward progression in the Peter Mitchell pit, they are encountering a harder ore, which takes longer to process. Reactivating Section 5 of the concentrator would meet the demands of Furnace 5 in the pellet plant, increase capacity of the concentrator allowing harder ore to be processed and build capacity for producing concentrate for outside sales.

The future pit expansion increases the presence of harder western ore, which leads to reduced ore recovery in the concentrator and increases the risk of a shortfall in concentrate production. Section 5 can be reactivated under the existing furnace 5 permit. This permit allows for the continuous refurbishment of concentrator sections 2 – 10.

TEDF Grant	\$1,453,194
Company	<u>\$5,561,806</u>
Estimated Project Total Cost	\$7,015,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
NORTSHORE MINING COMPANY – PAY 2012 TEDF FUNDS**

Resolution No.: 13-017

WHEREAS, certain taconite production tax funds (“**TEDF Funds**”) are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a to provide grants to taconite producers who provide certain required matching expenditures for projects that involve workforce development and associated public facility improvements, or the acquisition of plant and

stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”) and for the benefit of the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, iron ore producer Northshore Mining Company (“**Applicant Producer**”) is eligible to receive up to \$1,453,194 of TEDF Funds for Eligible Purposes based upon its 2011 pellet production (“**Pay 2012 TEDF Funds**”); and,

WHEREAS, Applicant Producer made application to the Commissioner to receive TEDF Funds for the project described in the attached Addendum A (the “**Proposed Project**”), and has committed to pay at least the required matching share of \$325,184 of the costs of the Proposed Project which the Commissioner has determined is for Eligible Purposes; and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Projects; and,

WHEREAS, the TEDF Committee of the Applicant Producer on October 9, 2012, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on December 13, 2012, at the agency’s Administrative Building located near Eveleth, Minnesota, to consider the Proposed Project and the Applicant Producer’s request to receive TEDF Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Projects specified in Addendum A is for Eligible Purposes and otherwise appears eligible to receive Pay 2012 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13TH DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
Tom Rukavina, Chair

Addendum A

Project 1 - Reactivation of Concentrator Section 5 - \$7,015,000

As Northshore Mining continues on their westward progression in the Peter Mitchell pit, they are encountering a harder ore, which takes longer to process. Reactivating Section 5 of the concentrator would meet the demands of Furnace 5 in the pellet plant, increase capacity of the concentrator allowing harder ore to be processed and build capacity for producing concentrate for outside sales.

The future pit expansion increases the presence of harder western ore, which leads to reduced ore recovery in the concentrator and increases the risk of a shortfall in concentrate production. Section 5 can be reactivated under the existing furnace 5 permit. This permit allows for the continuous refurbishment of concentrator sections 2 – 10.

TEDF Grant	\$1,453,194
Company	<u>\$5,561,806</u>
Estimated Project Total Cost	\$7,015,000

d) United Taconite, LLC – Resolution No. 13-018

Motion by Mr. Joe Begich to approve the expenditure of TEDF funds for the United Taconite, LLC project, in an amount not to exceed \$1,628,692, as presented in Resolution No. 13-018. Seconded by Senator David Tomassoni. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

United Taconite, LLC TEDF Project



**P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047**

To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich

Commissioner

Date: December 13, 2012

**RE: UNITED TACONITE, LLC TACONITE ECONOMIC DEVELOPMENT FUND
PROJECT (PAY 2012, PRODUCTION 2011) - \$1,628,692**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

United Taconite, LLC is eligible for a pay 2012, based on 2011 production, Taconite Economic Development Fund rebate of \$1,628,692, subject to the company providing a match of \$340,579, for a total project cost of \$1,969,271.

The United Taconite, LLC TEDF Review Committee completed its review on November 1, 2012, and unanimously approved submitting the following project.

Project 1 - 2012 Fairlane Plant – Finishers and Roll Screens - \$2,200,000

In August 2010, United Taconite received approval of an amendment to its Air Permit from the Minnesota Pollution Control Agency that would allow production increases at the Fairlane Plant in Forbes. As a result, United Taconite is planning a series of projects over the next few years that will increase production from 5.2 million to 5.6 million tons annually.

United Taconite currently has six (6) magnetic separators on each of the five (5) mill lines to upgrade concentrate recovery as a final step of magnetic separation. The project involves replacing the finishers on each of the mill lines over the next three years. This project's improvements will increase rod mill feed production and reduce the number of separators on each line from six to three.

Greenballs (pellets prior to entry into the furnace) travel across a roll screen for sizing. Maintaining uniform pellet size is a critical quality and operating measure at United Taconite. Consistent pellet size improves air flow in the furnace, reduces downtime, energy usage, dust and fines and pellet screening at the dock. This phase of the project will involve conversion of the existing six foot screens to seven foot screens and replacing the existing three inch urethane rollers with two and one-half inch ceramic coated rollers.

This part of the upgrade is expected to be completed in December 2012 at a cost of \$2,200,000.

TEDF Grant	\$1,628,692
Company	<u>\$571,308</u>
Estimated Project Total Cost	\$2,200,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
UNITED TACONITE, LLC – PAY 2012 TEDF FUNDS**

Resolution No.: 13-018

WHEREAS, certain taconite production tax funds (“**TEDF Funds**”) are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a to provide grants to taconite producers who provide certain required matching expenditures for projects that involve workforce development and associated public facility improvements, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”) and for the benefit of the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, iron ore producer United Taconite, LLC (“**Applicant Producer**”) is eligible to receive up to \$1,628,692 of TEDF Funds for Eligible Purposes based upon its 2011 pellet production (“**Pay 2012 TEDF Funds**”); and,

WHEREAS, Applicant Producer made application to the Commissioner to receive TEDF Funds for the project described in the attached Addendum A (the “**Proposed Project**”), and has committed to pay at least the required matching share of \$340,579 of the costs of the Proposed Project which the Commissioner has determined is for Eligible Purposes; and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Projects; and,

WHEREAS, the TEDF Committee of the Applicant Producer on November 1, 2012, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on December 13, 2012, at the agency’s Administrative Building located near Eveleth, Minnesota, to consider the Proposed Project and the Applicant Producer’s request to receive TEDF Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Project specified in Addendum A is for Eligible Purposes and otherwise appears eligible to receive Pay 2012 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13TH DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X

Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
Tom Rukavina, Chair

Addendum A

Project 1 - 2012 Fairlane Plant – Finishers and Roll Screens - \$2,200,000

In August 2010, United Taconite received approval of an amendment to its Air Permit from the Minnesota Pollution Control Agency that would allow production increases at the Fairlane Plant in Forbes. As a result, United Taconite is planning a series of projects over the next few years that will increase production from 5.2 million to 5.6 million tons annually.

United Taconite currently has six (6) magnetic separators on each of the five (5) mill lines to upgrade concentrate recovery as a final step of magnetic separation. The project involves replacing the finishers on each of the mill lines over the next three years. This project's improvements will increase rod mill feed production and reduce the number of separators on each line from six to three.

Greenballs (pellets prior to entry into the furnace) travel across a roll screen for sizing. Maintaining uniform pellet size is a critical quality and operating measure at United Taconite. Consistent pellet size improves air flow in the furnace, reduces downtime, energy usage, dust and fines and pellet screening at the dock. This phase of the project will involve conversion of the existing six foot screens to seven foot screens and replacing the existing three inch urethane rollers with two and one-half inch ceramic coated rollers.

This part of the upgrade is expected to be completed in December 2012 at a cost of \$2,200,000.

TEDF Grant	\$1,628,692
Company	<u>\$571,308</u>
Estimated Project Total Cost	\$2,200,000

e) Arcelor Mittal - Minorca – Resolution No. 13-019

Motion by Senator David Tomassoni to approve the expenditure of TEDF funds for the Arcelor Mittal - Minorca project, in an amount not to exceed \$774,718, as presented in Resolution No. 13-019. Seconded by Representative Carly Melin. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

ArcelorMittal-Minorca TEDF Project



**P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047**

To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: December 13, 2012

**RE: ARCELOR MITTAL-MINORCA TACONITE ECONOMIC DEVELOPMENT FUND
PROJECT (PAY 2012, PRODUCTION 2011) - \$774,718**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

ArcelorMittal-Minorca is eligible for a pay 2012, based on 2011 production, Taconite Economic Development Fund rebate of \$774,718, subject to the company providing a match of \$161,568, for a total project cost of \$936,286.

The ArcelorMittal-Minorca Review Committee completed its review on November 13, 2012, and unanimously approved submitting the following project.

Project 1 - Refurbish Compressed Air System - \$2,500,000

ArcelorMittal-Minorca has proposed a project to completely revise their compressed air system to provide better compressed air quality in terms of pressure, volume and moisture content. Their current system relies on one single, high pressure rotary screw compressor and two backup

reciprocating compressors supplemented by portable air compressors for emergencies. The current system has been in place since 1993 and utilizes portions of the original compressed air system installed when Minorca was constructed in 1976. This project will improve reliability and reduce energy consumption while mitigating total plant shutdown risk from lack of air and the impact of poor quality air on the end users.

The project will include constructing a new building adjoining the existing compressed air equipment in the southwest corner of the pellet plant. The new building with a separate motor control center will be designed to house an array of smaller compressors matched to the two primary users of air; the vacuum disc filters (low pressure, high volume) and the house air system (high pressure, lower volume). The current building design will be three compressors for the low pressure, snap blow system and three compressors for the high pressure, house air system. Each system will have two operating compressors and one standby. Each system will use variable speed drives for the operating compressors to control and match output to only what is needed, which will deliver the proposed energy savings. The standby compressors and the design of the building will insure reliability and improve maintenance access. The associated drying equipment will reduce entrained moisture to insignificant levels, eliminating that as a cause of frustration to downstream users.

This project is a continuation of the ArcelorMittal-Minorca 2011 TEDF project. The original estimate was \$1.2 million but actual cost will be approximately \$2.5 million. Therefore, the funds were not available last year to complete this project. This year's TEDF allocation will assist in covering the shortfall.

TEDF Grant	\$774,718
Company	<u>\$1,725,282</u>
Estimated Project Total Cost	\$2,500,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
ARCELORMITTAL-MINORCA – PAY 2012 TEDF FUNDS**

Resolution No.: 13-019

WHEREAS, certain taconite production tax funds (“**TEDF Funds**”) are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a to provide grants to taconite producers who provide certain required matching expenditures for projects that involve workforce development and associated public facility improvements, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”) and for the benefit of the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, iron ore producer ArcelorMittal-Minorca (“**Applicant Producer**”) is eligible to receive up to \$774,718 of TEDF Funds for Eligible Purposes based upon its 2011 pellet production (“**Pay 2012 TEDF Funds**”); and,

WHEREAS, Applicant Producer made application to the Commissioner to receive TEDF Funds for the project described in the attached Addendum A (the “**Proposed Project**”), and has committed to pay at

least the required matching share of \$161,568 of the costs of the Proposed Project which the Commissioner has determined is for Eligible Purposes; and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Project; and,

WHEREAS, the TEDF Committee of the Applicant Producer on November 13, 2012, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on December 13, 2012, at the agency’s Administrative Building located near Eveleth, Minnesota, to consider the Proposed Project and the Applicant Producer’s request to receive TEDF Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Project specified in Addendum A is for Eligible Purposes and otherwise appears eligible to receive Pay 2012 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13TH DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____

Tom Rukavina, Chair

Addendum A

Project 1 - Refurbish Compressed Air System - \$2,500,000

ArcelorMittal-Minorca has proposed a project to completely revise their compressed air system to provide better compressed air quality in terms of pressure, volume and moisture content. Their current system relies on one single, high pressure rotary screw compressor and two backup reciprocating compressors supplemented by portable air compressors for emergencies. The

current system has been in place since 1993 and utilizes portions of the original compressed air system installed when Minorca was constructed in 1976. This project will improve reliability and reduce energy consumption while mitigating total plant shutdown risk from lack of air and the impact of poor quality air on the end users.

The project will include constructing a new building adjoining the existing compressed air equipment in the southwest corner of the pellet plant. The new building with a separate motor control center will be designed to house an array of smaller compressors matched to the two primary users of air; the vacuum disc filters (low pressure, high volume) and the house air system (high pressure, lower volume). The current building design will be three compressors for the low pressure, snap blow system and three compressors for the high pressure, house air system. Each system will have two operating compressors and one standby. Each system will use variable speed drives for the operating compressors to control and match output to only what is needed, which will deliver the proposed energy savings. The standby compressors and the design of the building will insure reliability and improve maintenance access. The associated drying equipment will reduce entrained moisture to insignificant levels, eliminating that as a cause of frustration to downstream users.

This project is a continuation of the ArcelorMittal-Minorca 2011 TEDF project. The original estimate was \$1.2 million but actual cost will be approximately \$2.5 million. Therefore, the funds were not available last year to complete this project. This year's TEDF allocation will assist in covering the shortfall.

TEDF Grant	\$774,718
Company	<u>\$1,725,282</u>
Estimated Project Total Cost	\$2,500,000

f) Magnetation, LLC – Resolution No. 13-020

Motion by Senator Tom Saxhaug to approve the expenditure of TEDF funds for the Magnetation, LLC project, in an amount not to exceed \$42,786, as presented in Resolution No. 13-020. Seconded by Representative Tom Anzelc. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka



Magnetation, LLC TEDF Project

P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: December 13, 2012

**RE: MAGNETATION, LLC TACONITE ECONOMIC DEVELOPMENT FUND PROJECT
(PAY 2012, PRODUCTION 2011) - \$42,786**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Magnetation, LLC is eligible for a pay 2012, based on 2011 production, Taconite Economic Development fund rebate of \$42,786, subject to the company providing a match of \$2,207, for a total project cost of \$44,993.

The Magnetation, LLC TEDF Review Committee completed its review on November 29, 2012, and unanimously approved submitting the following project.

Project 1 - Ball Mill Addition to Plant #2 - \$2,500,000

Last year, Magnetation, Inc. purchased a used ball mill for their Keewatin facility. The coarse tailing material was processed through the ball mill before entering the Rev 3.1 separator. This significantly increased their concentrate recovery rates. Due to the success at the Keewatin plant, Magnetation, LLC would like to replicate this process improvement at their Plant #2 site near Bovey. This project will involve the purchase and installation of a new ball mill at the Plant #2 location.

TEDF Grant	\$42,786
Company	<u>\$2,457,214</u>
Estimated Project Total Cost	\$2,500,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
MAGNETATION LLC – PAY 2012 TEDF FUNDS**

Resolution No.: 13-020

WHEREAS, certain taconite production tax funds (“**TEDF Funds**”) are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a to provide grants to taconite producers who provide certain required matching expenditures for projects that involve workforce development and associated public facility improvements, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”) and for the benefit of the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, iron ore producer Magnetation LLC (“**Applicant Producer**”) is eligible to receive up to \$42,786 of TEDF Funds for Eligible Purposes based upon its 2011 iron ore production (“**Pay 2012 TEDF Funds**”); and,

WHEREAS, Applicant Producer made application to the Commissioner to receive TEDF Funds for projects described in the attached Addendum A (the “**Proposed Project**”), and has committed to pay at least the required matching share of \$2,207 of the costs of the Proposed Project which the Commissioner has determined is for Eligible Purposes; and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Project; and,

WHEREAS, the TEDF Committee of the Applicant Producer on November 29, 2012, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on December 13, 2012, at the agency’s Administrative Building located near Eveleth, Minnesota, to consider the Proposed Project and the Applicant Producer’s request to receive TEDF Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Project specified in Addendum A is for Eligible Purposes and otherwise appears eligible to receive Pay 2012 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13TH DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X

Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
Tom Rukavina, Chair

Addendum A

Project 1 - Ball Mill Addition to Plant #2 - \$2,500,000

Last year, Magnetation, Inc. purchased a used ball mill for their Keewatin facility. The coarse tailing material was processed through the ball mill before entering the Rev 3.1 separator. This significantly increased their concentrate recovery rates. Due to the success at the Keewatin plant, Magnetation, LLC would like to replicate this process improvement at their Plant #2 site near Bovey. This project will involve the purchase and installation of a new ball mill at the Plant #2 location.

TEDF Grant	\$42,786
Company	<u>\$2,457,214</u>
Estimated Project Total Cost	\$2,500,000

g) Magnetation, Inc. – Resolution No. 13-021

Motion by Representative Tom Anzelc to approve the expenditure of TEDF funds for the Magnetation, Inc. project, in an amount not to exceed \$4,800, as presented in Resolution No. 13-021. Seconded by Representative Carolyn McElfrick. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

Magnetation, Inc. TEDF Project



**P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047**

To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: December 13, 2012

**RE: MAGNETATION, INC. TACONITE ECONOMIC DEVELOPMENT FUND PROJECT
(PAY 2012, PRODUCTION 2011) - \$4,800**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Magnetation, Inc. is eligible for a pay 2012, based on 2011 production, Taconite Economic Development fund rebate of \$4,800, subject to the company providing a match of \$248, for a total project cost of \$5,048.

The Magnetation, Inc. TEDF Review Committee completed its review on November 29, 2012, and unanimously approved submitting the following project.

Project 1 - Vacuum Disk Filter Addition to Plant #1 - \$234,000

Magnetation, Inc. has identified the need to remove water from the final concentrate it produces. If the moisture content of the final product was lower, it would be easier to handle, cheaper to ship and make it possible to load into rail cars for transportation to one of their customers. Magnetation, Inc. will purchase and install a vacuum disk filter system to dewater and reduce the moisture content of the concentrate.

TEDF Grant	\$4,800
Company	<u>\$229,200</u>
Estimated Project Total Cost	\$234,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
MAGNETATION, INC. – PAY 2012 TEDF FUNDS**

Resolution No.: 13-021

WHEREAS, certain taconite production tax funds (“**TEDF Funds**”) are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a to provide grants to taconite producers who provide certain required matching expenditures for projects that involve workforce development and associated public facility improvements, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”) and for the benefit of the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, iron ore producer Magnetation, Inc. (“**Applicant Producer**”) is eligible to receive up to \$4,800 of TEDF Funds for Eligible Purposes based upon its 2011 iron ore production (“**Pay 2012 TEDF Funds**”); and,

WHEREAS, Applicant Producer made application to the Commissioner to receive TEDF Funds for the project described in the attached Addendum A (the “**Proposed Project**”), and has committed to pay at least the required matching share of \$248 of the costs of the Proposed Project which the Commissioner has determined is for Eligible Purposes; and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Projects; and,

WHEREAS, the TEDF Committee of the Applicant Producer on November 29, 2012, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on December 13, 2012, at the agency’s Administrative Building located near Eveleth, Minnesota, to consider the Proposed Project and the Applicant Producer’s request to receive TEDF Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Project specified in Addendum A is for Eligible Purposes and otherwise appears eligible to receive Pay 2012 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13TH DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X

Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
Tom Rukavina, Chair

Addendum A

Project 1 - Vacuum Disk Filter Addition to Plant #1 - \$234,000

Magnetation, Inc. has identified the need to remove water from the final concentrate it produces. If the moisture content of the final product was lower, it would be easier to handle, cheaper to ship and make it possible to load into rail cars for transportation to one of their customers. Magnetation, Inc. will purchase and install a vacuum disk filter system to dewater and reduce the moisture content of the concentrate.

TEDF Grant	\$4,800
Company	<u>\$229,200</u>
Estimated Project Total Cost	\$234,000

9) Other

a) Essar Steel Minnesota LLC – Resolution No. 13-022

Representative Tom Anzelc moved that the Board advises and recommends the extension of Essar Steel Minnesota LLC's forbearance period on its loan with the agency from December 31, 2012, to October 1, 2015, as presented in Resolution No. 13-022. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carly Melin, Representative David Dill, Representative Carolyn McElfatrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. Dave Chura and Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

IRON RANGE RESOURCES AND REHABILITATION BOARD OF THE STATE OF MINNESOTA ESSAR STEEL MINNESOTA LLC ADDITIONAL FORBEARANCE OF LOAN PAYMENTS

Resolution No.: 13-022

WHEREAS, the Board by motion on December 16, 2004, approved the expenditure of Douglas J. Johnson Economic Protection Trust Fund monies for loans to Minnesota Steel Industries, LLC (“MSI”), for the purpose of helping MSI pay for the costs of developing a project that includes mining, pelletizing, direct reduced iron and a steel plant (the “Project”) to be located near Nashwauk within the Taconite Assistance Area; and

WHEREAS, consistent with such actions, the agency entered into a loan agreement with MSI on February 2, 2005, creating a total loan indebtedness of \$6.0 million (“Loan”) that was secured by assigning royalties on the mineral reserves to the agency, with an original due date for repayment of the Loan of December 31, 2007 (“Due Date”); and

WHEREAS, in October 2007, Essar Steel Limited, a corporation based in India, purchased the interests of MSI in the Project, assumed the obligations of the Loan, and subsequently changed the entity name to Essar Steel Minnesota LLC (hereafter “Borrower”); and

WHEREAS, through two separate amendments to the Loan executed with Borrower in late 2007, the due date for repayment of the Loan was extended to December 31, 2008, the agency was permitted to forbear repayment of the Loan for up to four years after the Due Date if Borrower was making substantial progress on the Project, and the agency obtained a letter of credit from an accredited bank in the United States for \$6.0 million in lieu of royalties to secure repayment of the Loan; and

WHEREAS, through Board Resolution 09-18, approved by the Board on December 18, 2008, Board Resolution 10-20, approved by the Board on December 14, 2009, and Board Resolution 10-27, approved by the Board on February 18, 2010, the Board resolved that it was in the best interest of the agency to forbear repayment of Borrower’s Loan for additional periods up to the full forbearance time period, which the agency subsequently proceeded to do, and that Borrower provide an additional letter of credit to the agency, in a form acceptable to the agency, to cover the cost of accrued interest on the Loan through the latest possible forbearance date, which the agency subsequently obtained; and

WHEREAS, on December 31, 2012, the balance of the Loan, including principal and uncapitalized interest accrued during 2012, and assuming no prior payments by Borrower to the agency before that date, will be \$6,753,591.74; and

WHEREAS, the Minnesota Department of Employment and Economic Development (“DEED”), through funding provided to Itasca County (DEED Funds), has provided Borrower with \$65.9 million to construct public infrastructure in support of the Project, which includes repayment provisions if Borrower fails to build a direct reduced iron and steel plant along with a taconite plant on or before October 1, 2015; and

WHEREAS, Borrower has not yet completed the Project, but has invested in excess of \$700 million in construction for the Project and has represented that it will continue to invest in the Project; and

WHEREAS, market conditions are not favorable at this time for the construction of a steel plant, but Borrower represents it will proceed with other value-added production components of the Project, including, but not limited to, a direct reduced iron facility; and

WHEREAS, the Board believes it would be in the best interest of the State of Minnesota to align the date repayment of the Loan is due to the agency with the date DEED Funds would be due if Borrower fails to meet the Project conditions associated with the DEED Funds; and

WHEREAS, Borrower represents that in exchange for the letters of credit that are currently held by the agency, it will provide the agency with a letter of credit, acceptable to the agency at its sole discretion, for \$7.0 million dollars that may be presented and drawn upon by the agency at a financial institution in the United States, acceptable to the agency in its sole discretion, if Borrower fails to complete the Project on or before October 1, 2015; and

WHEREAS, the Board met at the agency's Administrative Building near Eveleth, Minnesota, on Thursday, December 13, 2012, at 10:00 a.m. to consider, among other matters, the extension of Borrower's forbearance period on the Loan.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby advises and recommends that the forbearance period on the Loan be extended, at the Commissioner's discretion, based on whether the Project has made substantial progress, up to October 1, 2015, provided that no later than December 21, 2012, the Borrower has provided the agency with a \$7.0 million letter of credit that will not expire until after November 15, 2015.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 13th DAY OF DECEMBER 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson				X
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElpatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____

Tom Rukavina, Chair

b) Excelsior Energy

Representative Tom Anzelc asked the status of an annual payment of \$100,000 to IRRRB by Excelsior Energy. Commissioner Sertich said that the company has until December 31, 2012, to make the payment and that staff has been in contact with company officials. He said when the agency receives payment, he will inform the Board.

8) Adjournment

The meeting adjourned at 11:35 a.m.

Exhibit B - FY14 Budget Document